

THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

**DEPARTMENT OF
TELECOMMUNICATIONS & ENERGY**

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September 30, 2004

Robert N. Werlin, Esq.
John K. Habib, Esq.
Keegan, Werlin & Pabian LLP
265 Franklin Street
Boston, MA 02110
FOR: Boston Edison Company
Commonwealth Electric Company

RE: Department's First Set of Information Requests to Boston Edison Company and
Commonwealth Electric Company
NSTAR/MASSPOWER PPA Termination Agreement - D.T.E. 04-61

Dear Messrs. Werlin and Habib:

Enclosed please find the Department of Telecommunications and Energy's First Set of Information Requests to Boston Edison Company and Commonwealth Electric Company in the above-referenced proceeding. Please provide the requested answers by October 5, 2004. If you have any questions on this request, please contact me at (617) 305-3613.

Sincerely,

/s/

Joan Foster Evans
Hearing Officer

cc. Mary L. Cottrell, Secretary
Service List
Staff as assigned

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**FIRST SET OF INFORMATION REQUESTS
D.T.E. 04-61**

Pursuant to 220 C.M.R. § 1.06 (6)(c), the Department of Telecommunications and Energy ("Department") submits to Boston Edison Company ("Boston Edison") and Commonwealth Electric Company ("Commonwealth") (jointly "NSTAR" or "Companies") the following Information Requests.

I. Instructions

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to the Companies in this proceeding.

1. Each request should be answered in writing on a separate three-hole punched page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer.
2. Please do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
3. These requests shall be deemed continuing so as to require further supplemental responses if the Companies or their witness receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term "provide complete and detailed documentation" means:

Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting workpapers.
5. The term "document" is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.
6. If the Companies find that any one of these requests is ambiguous, please notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. If a question refers to an Information Request of another party, please provide that response and answer with information that supplements the previous response.

8. Please serve a copy of the responses on Mary L. Cottrell, Secretary of the Department; also submit two (2) copies of the responses to Joan Foster Evans, Hearing Officer, and one copy each to Sean Hanley, Mark Barrett, and James Byrnes of the Rates and Revenue Requirements Division, and Robert Harrold, Boris Shapiro, and Marilyn Ross of the Electric Power Division.

II. Information Requests

- IR-DTE-1-1 Refer to Exh. NSTAR-RBH at 16, which refers to two pricing options included in the purchased power agreement (“PPA”) Entitlement Bid Form. Please confirm which pricing option NSTAR used in its D.T.E. 04-61 calculations, and explain why the Companies chose that particular pricing option. Provide prices bid by Bidder B, C, and D under both options.
- IR-DTE-1-2 Refer to Exh. NSTAR-RBH-5. Please provide a working electronic copy in Excel format with the formulas contained in the cells as well as all supporting documentation.
- IR-DTE-1-3 Refer to Exh. NSTAR-RBH-6, pages 1-5. Please provide a working electronic copy in Excel format with the formulas contained in the cells as well as all supporting documentation.
- IR-DTE-1-4 Refer to Exh. NSTAR-RBH at 18, lines 16-18. Please provide the analysis that CEA performed that “separately valued each PPA Entitlement to determine the total cost for the energy and capacity over the term of the agreement.”
- IR-DTE-1-5 Refer to Exh. NSTAR-RBH at 21-22, lines 20-21 and 1 and 10-11, respectively. Please provide in hard-copy and a working electronic copy in Excel Format of the “disaggregated bids ... that would allow for individual contracts and the portfolio taken as a whole,” as well as all supporting documentation. In addition, please provide supporting documentation regarding the “timing and pricing” of these bids “at which they might have closed.”
- IR-DTE-1-6 Refer to Exh. NSTAR-RBH at 26, which identifies the key assumptions used by the Companies to value the MASSPOWER contracts. Please provide the following information on those key assumptions:
(1) the basis or reference for market price and energy and capacity;
(2) the basis or reference for projected energy production; and
(3) the basis or reference for the discount rate of 7.82 percent.
- IR-DTE-1-7 Refer to Exh. NSTAR-RBH at 27, lines 6-10. Please provide the calculations, both in hard copy and in a working Excel spreadsheet with formulas intact for the “series of analyses (that [Concentric Energy Advisors (“CEA”)] performed) under different power and fuel price scenarios,” which “found that the proposed transaction continued to result in a reduction of the above-market costs of these contracts,” and shows that “the proposed transaction is likely to result in almost six percent reduction in the above-market costs.”

- IR-DTE-1-8 Refer to Exh. NSTAR-RBH-6, at 1 of 5. Please explain whether the present values in this exhibit were calculated using each company's respective discount rate. If not, identify which discount rate(s) was used.
- IR-DTE-1-9 Refer to Exh. NSTAR-RBH at 18, lines 3-5. Please explain how MASSPOWER was involved in the auction process. Provide copies of all communication between CEA, NSTAR and MASSPOWER relating to the auction and the termination or buy down of the contracts.
- IR-DTE-1-10 Refer to Exh. NSTAR-RBH at 21, lines 4-15. Please provide all "re-priced" bids and all correspondence related to initiating and accepting or rejecting these bids.
- IR-DTE-1-11 Please provide electronic copies of Exhs. NSTAR-BEC-GOL-2, NSTAR- BEC-GOL-3, NSTAR-BEC-GOL-4, NSTAR-BEC-GOL-5, NSTAR- BEC-GOL-6, NSTAR-BEC-GOL-7, and NSTAR-BEC-GOL-8 in Excel format with the formulas contained in the cells. Please provide electronic copies of any supporting workpapers and data for the above exhibits in Excel format with the formulas contained in the cells.
- IR-DTE-1-12 Please provide electronic copies of Exhs. NSTAR-COM-GOL-2, NSTAR-COM-GOL-3, NSTAR-COM-GOL-4, NSTAR-COM-GOL-5, NSTAR-COM-GOL-6, NSTAR-COM-GOL-7, and NSTAR-COM-GOL-8 in Excel format with the formulas contained in the cells. Please provide electronic copies of any supporting workpapers and data for the above exhibits in Excel format with the formulas contained in the cells.
- IR-DTE-1-13 Please explain whether any of the corrections (erratas) made to the initial filing in D.T.E. 04-60 affect the customer savings analyses filed in D.T.E. 04-61. If yes, (1) please describe each correction and explain how it affects the savings analyses in this proceeding, and (2) provide corrected copies of the exhibits.
- IR-DTE-1-14 Refer to Exhibit NSTAR-GOL-2, line 5 on page 1. Please provide a narrative explaining why the estimated tax savings arising from the buyout and make whole tax deduction must be present valued. In addition, please provide a detailed calculation of the present value amount of the \$142,014.
- IR-DTE-1-15 Refer to Exhibit NSTAR-GOL-2, line 7 on page 1. Please provide a narrative explaining why the estimated income tax payments associated with the recovery of securitization principle must be present valued. In addition, please provide a detailed calculation of the present value amount of \$117,165.

- IR-DTE-1-16 Refer to Exhibit NSTAR-GOL-2, page 22. Please provide any revisions to the Company's filing which would be necessary assuming that Federal tax payments are also made on April 15, June 15 and September 15.
- IR-DTE-1-17 Refer to Exhibit NSTAR-GOL-2, page 28. Please provide the derivation of the \$67 million net present value savings relating to the MASSPOWER Termination Agreement.
- IR-DTE-1-18 Refer to Exh. NSTAR-GOL at 14. Please provide a hard copy and, if available, an electronic copy in Excel format with the formulas contained in the cells, of Exh. BEC-JFL-3 (supp) from D.T.E. 03-117, and Exh. COM-JFL-3 (supp) from D.T.E. 03-118.
- IR-DTE-1-19 Refer to Exh. NSTAR-GOL at 15. Please provide a hard copy and, if available, an electronic copy in Excel format with the formulas contained in the cells, of Exh. BEC-JFL-6 (supp) from D.T.E. 03-117, and Exh. COM-JFL-6 (supp) from D.T.E. 03-118.
- IR-DTE-1-20 Refer to Exh. NSTAR-GOL at 15. The Company stated that it would allocate the consulting and legal costs for the 2003 Auction based on the savings by contract. Please explain in detail how the allocation will be made and identify whether the allocation factor is based on gross savings or the net present value of the savings.
- IR-DTE-1-21 Refer to Exh. NSTAR-GOL at 15. Please provide a projection of the consulting and legal costs to be incurred by the Company to conduct the 2003 Auction and the MASSPOWER Termination Agreement. Will these costs reduce the estimated \$67 million in savings to ratepayers? Please provide all supplemental workpapers and calculations.
- IR-DTE-1-22 Refer to Exh. NSTAR-BEC-GOL-2. Based on a discount rate of 6.61 percent, \$91.3 million in savings, and a NPV of \$52 million, please identify the number of years used for discounting. Provide all supporting calculations and workpapers.
- IR-DTE-1-23 Refer to Exh. NSTAR-COM-GOL-2. Based on a discount rate of 8.2 percent, \$7.72 million in savings, and a NPV of \$15.004 million, please identify the number of years used for discounting. Provide all supporting calculations and workpapers.
- IR-DTE-1-24 Refer to Exhs. NSTAR-BEC-GOL-2 and NSTAR-COM-GOL-2. Please explain why Boston Edison and Commonwealth used different discount rates.

- IR-DTE-1-25 Refer to Exh. NSTAR-BEC-GOL-3, page 1, Column B, and Exh. NSTAR-COM-GOL-3, page 1, Column B. Please (1) explain the basis for the forecast of the transition costs in 2004 for Boston Edison and the last seven months of 2004 for Commonwealth; (2) explain the basis for the assumption of two percent load growth per annum for the years 2004 and beyond for Boston Edison, and 2005 and beyond for Commonwealth; and (3) provide the gigawatt hours delivered for the years 1998 through 2002.
- IR-DTE-1-26 Refer to NSTAR-COM-GOL-3 at 6. Please explain the basis for the forecast of transition costs for the last seven months of 2004.